



Biogen Idec: Biotech Bet For Risk And Reward

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Sectors: Medical

Symbols: BIIB

"Biogen Idec (NASDAQ: BIIB) -- which has a highly effective though risky treatment for multiple sclerosis called Tysabri -- is our top pick for 2009," says analyst [Richard Moroney](#).

The editor of [Dow Theory Forecasts](#), an advisory that has been published for over 50 years, explains, ""Despite superior growth prospects, the Tysabri concerns have kept Biogen's shares under pressure." Here's his assessment.

"In the past two months, consensus profit estimates have crept upwards for Biogen Idec. Per-share profits are expected to climb 33% in 2008 and 9% in 2009. Over the next five years, profits are expected to climb 12% annually. Two factors support this outlook.

"First, Biogen plows nearly a third of its revenue into research and development, raising expectations of a fertile lineup of new drugs. Second, there's Tysabri, a highly effective though risky treatment for multiple sclerosis.

"Three Tysabri patients have contracted a deadly brain infection this year, the first cases since the drug's reintroduction in July 2006. Biogen shares plunged on the news. A rash of deaths could jeopardize the drug's marketability, but for now that seems unlikely.

"About one in 6,000 patients using Tysabri for more than a year have contracted the disease, well below the 1-in-1,000 rate on the drug's warning label. The number of new prescriptions slowed in the September quarter but remains up 80% for the year.

"Despite superior growth prospects, the Tysabri concerns have kept Biogen's shares under pressure. Using Biogen's five-year average P/E ratio of 37 and the consensus 2009 profit estimate, the stock would sell at \$146.

"While a return to such a rich valuation is very unlikely nowadays, a 12-month rally to \$60 seems achievable. Biogen, modestly valued at 12 times expected 2009 earnings of \$3.95 per share, is a Focus List Buy and a Long-Term Buy."